

The prevalence of Micro Takaful Products in the Eyes of Malaysian SMEs

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Abstract

The research examines the level of awareness and understanding among Malaysian SMEs towards Micro Takaful products. It also identifies the differences of awareness and understanding level among the SMEs of different educational background. Data were collected through a survey based on questionnaires among the SME owners in Malaysia. Based on analyses, it is found that the level of awareness and understanding among SMEs in Malaysia towards micro Takaful still at a low level. Besides that, the findings indicate that educational level of SMEs' owners does impact their level of understanding instead of awareness on Micro Takaful product. Accordingly, the SMEs' owners who are Degree holders tend to have different understanding compare to other levels of education. Thus, the industry players, especially the operators and their agents should increase their effort to educate the SMEs on future financial protections especially on the features of Micro Takaful products.

Keywords: Small and Medium Enterprise, Micro Takaful, Malaysia, Awareness, Understanding

Introduction

Small and Medium Enterprises (SMEs) industry is one of the sectors which contributes in sustaining a country's economic condition and the overall development of that country. In Malaysia, the performance of the SMEs as recorded in SME Annual Report 2013/2014 is showing a positive growth based on its Growth Domestic Product (GDP) with the increment of 6 percent in 2012 to 6.3 percent in 2013. The SME growth momentum in 2015 is expected to sustain at 5.5 percent to 6.5 percent respectively. According to SME Master plan 2012-2020, it is believed that SMEs would be able to play a major role in achieving the status of high income-nation by the year 2020. This is in line with the New Economic Model that aims to transform Malaysia from a middle-income to a high income-nation by the year 2020. Nevertheless, the current situation in Malaysia is worsening due to fluctuation in oil prices, slow export growth, and devaluation of Ringgit which exhibit challenges in Malaysia's economy particularly to the SMEs.¹ For instance, during the period of global financial crisis, the majority of SMEs were affected by the volatility of exchange rate and expenses that have caused the drastic increase in their business operation (Ismail *et al.*, 2012). Since SMEs have limited resources in terms of capital and lack of risk management tools, they are easily affected and exposed to business risks. Therefore, it is difficult for them to sustain in a long-term period. This situation may cause the businesses facing difficulties in protecting their risks and lead to bankruptcy if the risks are poorly managed. In this case, SMEs should have a specific financial coverage for their businesses as a form of protection during any calamity or as a preparation for the economic downturn. This is called Takaful.

Additionally, the availability of suitable insurance product to protect the business entity as a whole is strongly needed especially to ensure its financial stability. Nowadays, there many insurance companies including conventional and Islamic companies that offer group protection to business entities. MicroTakaful is an alternative for the SMEs in protecting their risks. It is a Shari'ah-based Takaful product specifically created to protect the financial stability among low income earners and the underprivileged communities in exchange for low premium (Brugnoli, 2013). MicroTakaful is recognized as a risk mitigation strategy that could help the poor and the micro enterprises to protect their risks (Hasim, 2014a; Gor, 2013; Ismail *et al.*, 2012; Mokhtar *et al.*, 2012; Usman, 2012; Sukmana & Hidayat, n.d.).

However, limited studies have been done on microTakaful particularly among SMEs in Malaysia. Most studies in the past on Micro Takaful emphasize on protecting the poor society with the aim of poverty alleviation. The studies do not focus on protecting the interests of the SMEs (Hasim, 2014b; Bakhtiari, 2013; Rom, Rahman and Hassan, 2012; and Erlbeck, 2010). Therefore, this research is conducted to overcome these limitations as it could also contribute to the betterment of Takaful industry. It is structured based on following; after introduction, background of Malaysian SMEs is discussed, and it is followed by micro Takaful products offered in Malaysian Takaful industry, and challenges faced Takaful operators in offering micro Takaful products to SMEs. This paper further discusses related literatures to awareness and understanding of micro Takaful among SMEs and the hypotheses development. Later,

¹ Minister in the Prime Minister's Department Datuk Seri Abdul Wahid Omar (Dec 2014), <http://www.thestar.com.my/Business/Business-News/2014/12/18/World-Bank-cuts-2015Malaysia-GDP-forecast-Wahid-World-Bank-figure-too-conservative-Govt-maintains-it?style=biz>

methodology adopted and findings from data analysis is disclosed in the next section. This paper ends with discussion and limitation.

SMEs in Malaysia

Malaysian Small and Medium Enterprises (SMEs) have contributed significantly to country's development. According to Asia SME Finance Monitor 2013, "*micro, small, and medium-sized enterprises in Malaysian context refer to SMEs rather than MSMEs.*" The importance of Malaysian SMEs to the economic development could be drawn from the implementation of New Economic Policy (NEP) in 1971. Its main objective is to eliminate poverty through business ownership among Bumiputeras in Malaysia (Bakar, Abdul, Salleh, Sivapalan, and Abdullah, 2011).

The latest assessment on the Malaysian GDP growth in SME Annual Report 2013/2014 reported that the SME GDP growth is projected to record a sustainable growth of 5.5 percent to 6.5 percent in 2014 in comparison to 6.3 percent in 2013. As reported by the Department of Statistics, most companies in Malaysia consist of micro enterprises (60%) as compared to small (28%), medium (9%), and large enterprises (3%) (Bakar *et al.*, 2011). SMEs could be defined through size, activity, total sales turnover,¹ and the number of employees (Arokiasamy and Ismail, 2009; Coyne, 2009; Hashim and Abdullah, 2000; Saleh and Ndubisi, 2006). Previously, Malaysian SMEs were defined as firms with annual sales turnover not exceeding RM25 million or having not exceeding 150 full-time employees in manufacturing sector, and annual sales turnover not exceeding RM5 million or having not exceeding 50 full-time employees for service and other sectors (Salikin, Wahab, and Muhammad, 2014). However, the new criteria of SMEs have changed due to further economic development and effective on 1st January 2014. Table I illustrates the new classification of SMEs.

Table 1: Definition of SMEs in Malaysia

Category	Micro	Small	Medium
Manufacturing	Sales turnover not exceeding RM300,000	Sales turnover from RM300,000 to less than RM15 million OR full-time employees from 5 to less than 75	Sales turnover from RM15 million to not exceeding RM50 million OR full-time employees from 75 to not exceeding 200
Services and other sectors	OR full-time employees not exceeding 5	Sales turnover from RM300,000 to less than RM3 million OR full-time employees from 5 to less than 30	Sales turnover from RM3 million to not exceeding RM20 million OR full-time employees from 30 to not exceeding 75

Source: SME Corp. Malaysia

Nevertheless, a survey reported by SME Annual Report 2013/2014 in the third quarter of 2013 found that SMEs in Malaysia face challenges that hinder them from expanding due to some critical factors namely high costs of raw materials, high costs of labour, and shortage of skilled labour. On the other hand, the

¹ Refers to total revenue including other incomes

survey on SMEs in the first quarter of 2014 found that there are issues related to high costs of doing businesses, financing, labour, Goods and Services Tax (GST), and issues on ICT adoption by SMEs. With regards to the costs of doing business, the SMEs are affected due to the increase in prices such as electricity, fuel and natural gas, medical charges, as well as insurance premium.

Micro Takaful in Malaysia

MicroTakaful is offered to provide future financial protection for low income earners including the small and medium enterprises. It is defined as a Takaful product that is designed to respond to the financial protection needs of low-income households (BNM, 2016: p. 5). In this respect: (a) “financial protection” means being able to access timely and adequate financial resources to: (i) cope with major expenses; or (ii) provide temporary or partial relief from financial difficulties arising from unexpected adverse events; and (b) “low-income households” refers to poor, vulnerable or lower middle income households, particularly groups that have been previously excluded from access to insurance/Takaful. It thus a Shari’ah-based protection scheme for the poor and vulnerable at an affordable cost as well as a tool for poverty alleviation (Haryadi, 2006; Rom *et al.*, 2012; Hasim, 2014a). The presence of Micro Takaful product is believed to be among the poverty alleviation tools to help the low income earners to protect their financial capabilities and life sustaining in the future. Parallel to the objective of Takaful which is to protect the whole ummah (society), micro Takaful product is a special product that concern on public’s needs rather than a profit motif products. Based on discussion paper on microTakaful prepared by the Central Bank of Malaysia (2016, p. 2), the objectives of microTakaful among others are to provide;

(a) immediate temporary relief in the event of financial difficulty. This is most relevant to adverse events where the financial impact is not extremely high or permanent, or where microinsurance/microtakaful serves as a complement to other coping strategies;

(b) access to financial resources to cope with sudden large expenses. These are adverse events where the financial impact is higher or permanent, or where microinsurance or microtakaful is the primary coping strategy; or

(c) peace of mind from knowing that financial relief would be available in an easy and timely manner if an adverse event unexpectedly occurs, thus encouraging the household to undertake income-generation activities and improve its standard of living.

In Malaysia, there is no specific term of microTakaful product used in the industry. Most of the Takaful operators generally preferred to use common name of Takaful product to denote the micro Takaful product. Central Bank of Malaysia in this regards have started initiative to discuss on micro Takaful in year 2016 via a discussion paper to provide guidance on the regulation of microTakaful products and the operating environment that is envisioned for microTakaful in Malaysia. Overall, there are only five Takaful operators have introduced Micro Takaful product which covers family and general Takaful. They are Etiqa Takaful, Takaful Ikhlās, AIA Takaful, Syarikat Takaful Malaysia Berhad, and HSBC Amanah. The products mainly cover the risks faced by both owners and employees. Besides that, Micro Takaful product is also prepared for business asset, liability, theft, fire, and other coverage of risks.

Micro Takaful product is fundamentally similar with Takaful products in terms of its features as well as its operational model. It is created to protect the financial risks faced by SMEs in running their businesses (Hasim, 2014a). However, the general purpose of Micro Takaful is to offer low contribution for the low

income earners (Mokhtar *et al.*, 2012). This is because SMEs could be categorised as a group of people under the category of low income earners and is considered poor whether they are individuals or business entities (Ismail *et al.*, 2012). Accordingly, SMEs are eligible to receive protection under Micro Takaful product. Table 2a depicts the differences between Takaful and Micro Takaful while Table 2b presents details on features of microTakaful product as discussed in BNM discussion paper (2016).

Apart from being an effective risk mitigation technique, Micro Takaful also acts as an innovative strategy towards poverty alleviation (Mokhtar *et al.*, 2012). By only have to pay a small amount of contribution, they could be financially protected and have a peace of mind. According to Patel (2012), Takaful is not directly solve the poverty problem rather it is one of the components in poverty alleviation strategies. The low income earners would usually use their own pocket money, borrowings, or selling of assets in dealing with the risk management strategy that they have chosen. Without having a proper financial protection like Micro Takaful, low income earners like the micro entrepreneurs would easily fall into poverty (Patel, 2012).

Table 2a: Differences between Takaful and Micro Takaful

	Takaful	Micro Takaful
Target Market	Participants are from middle and high-income households and business entity	Participants are the poor and low-income households and business entity
Market awareness	Market is largely familiar with Takaful	Market is largely unfamiliar with Micro Takaful
Contributions (premiums)	Based on age or other specific risk characteristics	Low contributions and affordable
Affordability considerations	Contributions are paid by participants (individual or business entity)	Contributions may be paid in full or partly by a subsidy from <i>zakat</i> funds, <i>waqf</i> funds or the Government and individual
Sums insured	Large sum insured	Small sum insured
Policy document	Complex policy document with many exclusions	Simple and easy to understand policy document with a few or no exclusions
Claims handling	Claims process for large sums insured may be quite complicated	Simple and fast procedures to small sums, yet still controls fraud.

Source: Adapted from (Bhatty, 2010)

Table 2b: Features of microTakaful product

Elements	Features
Simple	Products are offered and serviced in a manner that is easily understood by the target group. Product features are self-explanatory such that minimal advice from intermediaries is needed. Benefits, terms and conditions are straightforward with minimal exclusions and restrictions.

	All disclosures, marketing materials and languages used respond to the target group's level of financial literacy
Protection-need Driven	Proportion of premium/takaful contribution allocated to financial protection is maximised. Protection provided is relevant and meaningful in that it should not intentionally cover risks that the target group does not need.
Accessible	Premium/takaful contribution is affordable for the target group. Distribution channel is accessible and approachable for the target group. Product features and processes suit the target group's circumstances. All processes including premium/takaful contribution payment, policy/takaful certificate renewal, claims and enquiries are easily accomplished by the policy owner/takaful participant.
Efficient	All processes are expedient and timely with particular focus on minimizing time to claims pay-out. Back-office administration is simplified, streamlined, and automated as much as possible.

Source: BNM Discussion Paper on MicroTakaful (2016)

Challenges in Offering Micro Takaful Products to SMEs

Takaful operators are enthusiastic in the development of Takaful industry. However, there are many challenges faced by the operators when they try to offer Micro Takaful product to the SMEs. These includes the absence of regulatory provision in Micro Takaful (Gor, 2013; Mokhtar *et al.*, 2012). In addition, shortage of expertise is also one of the challenges faced by Takaful operators in the implementation of Micro Takaful product (Gor, 2013; Patel, 2012). Since Micro Takaful is still at its infancy stage in Malaysia (first offered in 2010), most of the operators are not fully equipped with enough talent in this particular product (Gor, 2013; Mokhtar *et al.*, 2012).

Besides that, the operators are also concern on cost and profitability of offering this type of Takaful product which more towards SMEs' welfare. As this product would offer low contribution by the SMEs, and the coverage quiet similar with other business products, not many of the operators are interested to have it in their list. According to Mokhtar *et al.* (2012), there is also a greater uncertainty in terms of its profitability. This is due to the uncertainty of regular contribution by the SMEs as their income are inconsistent depend on business performance.

In addition, the operators are also facing with high competition with the conventional counterparts. According to Gor (2013), in the emergence of Takaful industry in Malaysia, competition is rising in leaps and bounds in this industry. Since this product is relatively new and as this industry is growing on small margin, it is challenging for the operators that offer this product to gain a market share quickly in terms of pricing their products in a way that it is harder to be profitable (Gor, 2013).

Awareness on Micro Takaful Products

The awareness of Micro Takaful product is perceived to be important since it determines the consumers' demand towards the products. A case study on Malaysian SMEs conducted by Ismail *et al.* (2012) showed that low demand for Micro Takaful product is attributable to the low level of awareness among SMEs.

The study found that the lack of awareness is due to the low level of educational background amongst micro entrepreneurs and their ignorance on risks protection for businesses.

In addition, Patel (2012) discovered that a low level of understanding regarding Takaful and the scepticism of its permissibility has caused the target customers become unaware about the product. Zaheed (2008) also found that the awareness level among micro entrepreneurs in Malaysia is low because they having limited knowledge on this products as well as not really aware about the concept of Takaful. Knowledge and understanding are important to instil awareness on Micro Takaful product among SMEs (Ismail *et al.*, 2012).

Thus, it is hypothesized that: H₁: There is significant difference in level of awareness among SMEs' owners of different educational background.

Understanding on Micro Takaful Products

It is still a long way to go for SMEs to have a complete understanding and acceptance towards Micro Takaful product (Ismail *et al.*, 2012). One of the factors that reduces the demand of Micro Takaful product is the knowledge gap and it apparently contributes to the limited exposure towards the understanding on the importance of Takaful concept (Rom *et al.*, 2012). Ismail *et al.* (2012) argues that there is a perception among SMEs' owners stating that Takaful operators are gaining profit from entrepreneurs' expenses. This is due to low level of understanding about the product and the lack of knowledge about what they are paying for. The SMEs have a bad perception on the implementation of the protection scheme.

Other than that, Zaheed (2008) claims that micro enterprises in Malaysia do not have sufficient knowledge and adequate level of education on Takaful. They do not understand that through Takaful, they could help to solve the problem of poverty among low income earners. Also, they have a negative perception on Takaful. It is viewed as a well-planned, strategic scam to cheat their money. It is hypothesised that there is significant difference in the level of understanding among SMEs' owners of different educational background. Thus, it is hypothesized that: H₂: There is significant difference in the level of understanding among SMEs' owners of different educational background.

Methodology

This research uses survey method to get views from the SMEs on their awareness and understanding towards Micro Takaful product. A total of 300 self-administered survey questionnaires are distributed among Malay SMEs owners in Kelantan. However, only 206 questionnaires were completed and fined for further analysis. The respondents are selected based on their race, type of business and those who are accessible during the survey. The sample in this research consists of owners of SMEs primarily the micro entrepreneurs located in Kelantan area. The data is analysed using Statistical Package for Social Science (SPSS) to ensure the validity and reliability of the final results. It involves the analysis of descriptive analysis, correlation analysis, simple linear regression and One-Way ANOVA in order to achieve the research objectives.

Results & Findings

Background of SMEs in Malaysia

Table 3 shows the respondents' background. It is observed that male and female respondents are quite balances given that 51.5 percent of the respondents are males and 48.5 percent are females. In terms of age, most of the respondents are in their middle age. 68 percent of them are in between 30 to 55 years. Only 12.1 percent in the range of 18 to 29 years and 19.9 percent are above 19.9 percent. In terms of their highest education level, SPM holders show the highest percentage of 68 percent while SRP/PMR with 12.1 percent, Diploma 15 percent, and another 6.8 percent is Degree holder.

Most of the respondents are micro entrepreneurs where 89.3 percent of them earn less than RM300,000 annual sales turnovers. This is followed by 9.2 percent who receive income between RM300,000 to RM14,999,000 and only 1.5 percent among the entrepreneurs having income between RM15,000,000 to RM50,000,000. With regards to the number of full-time employees, most respondents have less than 5 employees. This is an indication that they are mostly micro entrepreneurs. Meanwhile, 88.8 percent of them are having less than 5 employees whereas 10.7 percent have 5 to 34 employees, and only 0.5 percent has full-time employees between 35 to 74 staff.

Moreover, it is observed that most of the Malay entrepreneurs do not have any Micro Takaful protection. Only 33.4 percent of them participate in Micro Takaful protection for employees and 11.7 percent have Micro Takaful protection for their businesses including the accumulation of assets. The rest of them do not have any Takaful protection.

Table 3: Background of SMEs

Demographic Information		Frequency	Percentage (%)
Gender	Male	106	51.5
	Female	100	48.5
	Total	206	100.0
Age	18-29	25	12.1
	30-55	140	68.0
	55 and above	41	19.9
	Total	206	100.0
Highest Education Level	SRP/PMR	35	17.0
	SPM	126	61.2
	Diploma	31	15.0
	Degree	14	6.8
	Total	206	100.0
Business Sector	Construction	3	1.5
	Agriculture	18	8.7
	Manufacturing	59	28.6
	Services	126	61.2
	Total	206	100.0

Business Duration	Less than 1 year	5	2.4
	Between 2-4 years	46	22.3
	Between 5-9 years	73	35.4
	More than 10 years	82	39.8
	Total	206	100.00
Annual Sales Turnover	Less than RM300,000	184	89.3
	Between RM300,000 to RM14,999,000	19	9.2
	Between RM15,000,000 to RM50,000,000	3	1.5
	Total	206	100.0
Full-time Employee	Less than 5	183	88.8
	Between 5-34 employees	22	10.7
	Between 35-74	1	0.5
	Total	206	100.0
Micro Takaful Protection for Employees	Yes	7	33.4
	No	199	96.6
	Total	206	100.0
Micro Takaful Protection for Business	Yes	24	11.7
	No	182	88.3
	Total	206	100.0

Level of Awareness

In order to determine the level of awareness among the SMEs' owners, five questions were asked to them with regards to their level of awareness towards Micro Takaful products. Based on the descriptive analysis results in Table 4, the level of awareness among SMEs' owners is observed based on the mean value ranked from 3.2864 to 4.0825. The highest mean value is recorded on the statement that Takaful product could give protection to their business risks. However, they are not aware of the concept of contribution or *sadaqah* that is implemented in Takaful. This has the least mean value of 3.2864. In general, the SMEs' owners seem to have a low awareness of Takaful products. The details of the mean value for each statement are depicted in Table 4 below.

Table 4: Level of Awareness

No	Statement of Awareness	Level of Awareness					N	Mean	SD
		1	2	3	4	5			
1	I am aware that Micro Takaful can give protection to my business risks	0.00	2.9	12.6	57.8	26.7	206	4.0825	0.71088
2	I am aware that Micro Takaful practices the concept of contribution	0.00	21.8	39.3	27.2	11.7	206	3.2864	0.93731

	(sadaqah) among participants									
3	I am aware that Micro Takaful practice Islamic concept	0.00	13.6	16.0	31.6	38.8	206	3.9563	1.04673	
4	I am aware that Micro Takaful is for all (Muslim/non-Muslim)	0.00	18.0	22.3	31.6	28.2	206	3.6990	1.06688	
5	I am aware that Micro Takaful provides savings and investment	0.00	24.8	35.0	26.7	13.6	206	3.2913	0.98902	
	Average Mean Value							3.6631		

Note: 1=Highly Unaware, 2=Unaware, 3=Not Sure, 4=Aware and 5=Highly Aware

Level of Understanding

Table 5 presents the descriptive analysis of the level of understanding among SMEs' owners towards Micro Takaful product. The level of understanding of the SMEs' owners is identified through the descriptive analysis based on seven statements below. In general, it is observed that the mean value for each question is ranged from 2.7961 to 3.4806 which shows that the level of understanding among SMEs' owners is quite low. They basically know that Micro Takaful does not apply the three prohibited elements in Islamic Law which are *riba*, *gharar*, and *maisir* (mean=3.4806) that differentiate it with the conventional insurance (mean=3.4272). However, they are uncertain that the collected fund would be invested in Shariah compliant investment (mean=2.7961).

Table 5: Level of Understanding

No	Statement of Understanding	Level of Understanding					N	Mean	SD
		1	2	3	4	5			
1	I know that Micro Takaful is different from Micro Insurance	0.00	18.9	32.0	36.4	12.6	206	3.4272	0.93810
2	I know that Micro Takaful doesn't apply <i>riba</i> , <i>gharar</i> , and <i>maisir</i> .	0.00	18.9	32.5	30.1	18.4	206	3.4806	1.00103
3	I know that the word Takaful comes from Arabic language which means mutual cooperation	0.00	20.9	30.1	35.4	13.6	206	3.4175	0.96802
4	I know that participants share the Takaful fund	0.5	27.7	36.9	25.2	9.7	206	3.1602	0.95691

5	I know that Takaful Operators are the trustee to manage the Takaful Fund	0.5	28.6	37.9	22.3	10.7	206	3.1408	0.97008
6	I know that any claim is taken from Takaful Fund	0.5	30.6	36.9	21.8	10.2	206	3.1068	0.97192
7	I know that the collected fund will be invested in Shariah compliant investment	3.4	40.8	35.0	14.6	6.3	206	2.7961	0.95109
Average Mean Value								3.2184	

Note: 1=Really Know, 2=Don't Know, 3=Not Sure, 4=Know & 5=Really Don't Know

One-Way ANOVA

One-Way ANOVA is conducted to identify the level of awareness and the level of understanding of SMEs' owners of different educational background towards Micro Takaful product.

Hypothesis 3: There is significant difference in the level of awareness among SMEs' owners of different educational background.

A one-way ANOVA is conducted to test hypothesis 3 which aims to explore the impact of educational level (independent variable) on the level of awareness (dependent variable) among SMEs' owners towards Micro Takaful product. The independent variable was divided into four groups based on their educational level (Group 1: PMR/SRP, Group 2: SPM Group 3: Diploma, and Group 4: Degree). According to the result in Table 3, there is no statistically significant difference at $p < .05$ for the four groups of educational level as the significant value (Sig.) is more than .05 ($p = .073$). It means that the educational level of SMEs' owners does not impact their awareness level on Micro Takaful product. Thus, H_0 is accepted.

Table 3: ANOVA Test on the Level of Awareness and Educational Background

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	4.092	3	1.364	2.361	0.073
Within Groups	116.727	202	0.578		
Total	120.820	205			

The next hypothesis has also been conducted using one-way ANOVA in order to know the impact of education level on the level of understanding among SMEs' owners towards Micro Takaful products. The hypothesis is as below.

Hypothesis 4: There is significant difference in the level of understanding among SMEs' owners of different education background.

The result shown in Table 4 below indicates that there is significant difference in any of the means among the four groups of educational level as the significance value (Sig.) is less than .05 ($p = .007$). It means that

the educational level of SMEs' owners give impact on their understanding level towards Micro Takaful product.

Table 4: ANOVA-Understanding

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	7.323	3	2.441	4.144	0.007
Within Groups	118.990	202	0.589		
Total	126.313	205			

Despite having significant difference, the post-hoc tests in Table 5 show the specific different groups of educational level. Pallant (2002) points out that the asterisks (*) next to the listed value in the Mean Difference column indicates that the groups being compared are significantly different from each other at $p < .05$ level. The actual difference in the mean scores between the groups calculated using eta squared is 0.06. This is considered as having a medium effect (Cohen, 1973). The Tukey HSD test shows that all educational levels are significantly different from one another. The mean score for Degree has statistical significant difference with SRP/PMR, SPM, and Diploma. This means that the understanding level among SMEs' owners who possess Degree as the highest education level is different with those having SRP/PMR, SPM, and Diploma as their highest education level.

Table 5: Multiple Comparisons (Tukey HSD Test)

(I) Highest Education Level	(J) Highest Education Level	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Level	
					Lower Bound	Upper Bound
SRP/PMR	SPM	0.10703	0.14665	0.885	-0.2729	0.4869
	Diploma	0.13680	0.18929	0.888	-0.3536	0.6272
	Degree	-0.63673*	0.24271	0.046	-1.2655	-0.0080
SPM	SRP/PMR	-0.10703	0.14665	0.885	-0.4869	0.2729
	Diploma	0.02977	0.15387	0.997	-0.3688	0.4284
	Degree	-0.74376*	0.21622	0.004	-1.3039	-0.1836
Diploma	SRP/PMR	-0.13680	0.18929	0.888	-0.6272	0.3536
	SPM	-0.02977	0.15387	0.997	-0.4284	0.3688

	Degree	-0.77354*	0.24714	0.011	-1.4138	-0.1333
Degree	SRP/PMR	0.63673*	0.24271	0.046	0.0080	1.2655
	SPM	0.74376*	0.21622	0.004	0.1836	1.3039
	Diploma	0.77354*	0.24714	0.011	0.1333	1.4138

*The mean difference is significant at the 0.05 level.

Conclusion

The main objective of the research is to find the awareness and understanding of SMEs' owners towards Micro Takaful products. It also aims to explore the relationship between the level of understanding and awareness as well as its differences of different educational background of SMEs' owners towards Micro Takaful products.

The descriptive analysis on SMEs' owners' backgrounds show that there is a balance proportion of male and female respondents of the research. Majority of them are aged between 30 to 55 years old, SPM holders, micro entrepreneurs, and do not have Takaful protection for their business and employees. In terms of descriptive analysis on respondents' level of awareness, the level of understanding, and preferences on Micro Takaful product, it is found that the respondents have low level of awareness and understanding.

Besides that, the analysis on hypotheses testing is done using correlation analysis, regression analysis and ANOVA. The first hypothesis is tested using correlation analysis to determine the direction and strength of the relationship between independent and dependent variables. It is also discovered that there is a positive correlation and the variables are strongly correlated with one another. Furthermore, it is found that there is statistically significant correlation between the level of understanding and the level of awareness among SMEs' owners towards Micro Takaful product. The variables are then tested using regression analysis, where the level of understanding does statistically affect the level of awareness.

The last hypothesis is tested using one-way ANOVA in order to explore the impact of educational level on the awareness and understanding levels of SMEs owners on Micro Takaful products. Moreover, the educational level does not impact the awareness level of SMEs' owners towards Micro Takaful products as there is no significant difference between educational level and the level of awareness. However, the educational level shows a significant difference towards the level of understanding which means that the educational level of SMEs' owners give impact on their understanding level towards Micro Takaful product.

In a nutshell, a strong understanding among low-income households of how Takaful can address their financial protection needs is also highly important to support the growth of the microTakaful market (BNM, 2016). In this respect, support from the regulators is needed towards the industry and other key stakeholders to intensify takaful education for low-income households or entrepreneurs. By understanding the contextual peculiarities of the target group, partnering with the right intermediaries and employing the

right sales and servicing approach at the right time, Takaful operators would be able to mitigate the awareness problem to market the products.

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